# Weekly Economic Review

# Alberta employment jumps in May

#### **Labour Market**

Job growth surges

Employment growth shifted back into high gear in May, after stalling in the previous two months. Alberta added 16,400 jobs last month, all full-time and almost entirely in the private sector. The gain was the largest among the provinces. The unemployment rate fell 0.1 percentage points to 4.6%. Over the last twelve months, Alberta has added 71,200 positions, which accounted for 83% of national job creation over the period (Chart 1).

Canadian employment increased by 25,800 in May, but growth remains unbalanced, as only Alberta and Ontario reported meaningful gains. Year-over-year (y/y) employment growth was 0.5%, the lowest increase since 2010. Excluding Alberta, employment was up a slim 0.1% y/y nationally.

#### **Residential Construction**

Home building takes off

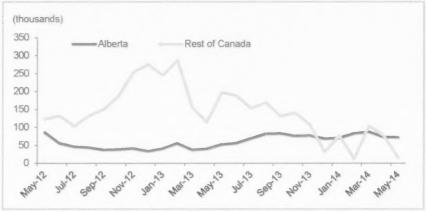
Alberta investment in residential construction increased 16.9% y/y in the first quarter to \$4.3 billion. Investment in Alberta's new dwelling construction was the strongest of the provinces, increasing 12.5% over the same quarter last year. This highlights a diverging trend between Alberta and the rest of Canada, where there was a 7.1% y/y decrease in first quarter new dwelling construction. Renovation started the year on a strong note after rather subdued growth throughout 2013, increasing 22.9% y/y in the first quarter.

# **Building Permits**

Permit values dip
The value of Alberta building permits
in April decreased 0.6% from March

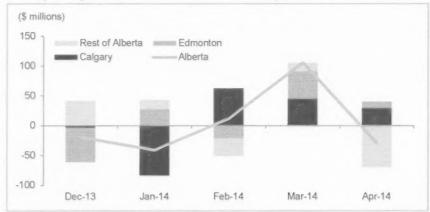
and by 13.5% over April 2013 as the result of a drop in non-residential activity. Commercial permits were mostly responsible for the decrease (Chart 2), dipping 11.2% month-over-month (m/m). In particular, commercial building permits issued in the Wood Buffalo-Cold Lake region fell to a ten-year low. After falling substantially in February and March, residential permit values increased 5.4% in April, and by 6.0% from the same time last year. Alberta was one of only two provinces where residential building permits increased over April 2013.

Chart 1: Employment growth outside Alberta has stagnated Year-over-year employment growth



Source: Statistics Canada

Chart 2: Commercial permits drop outside of Edmonton and Calgary Monthly change in the value of commercial building permits



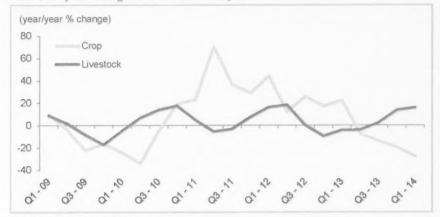
Source: Statistics Canada

### Farm Cash Receipts

Lower prices cause crop receipts to dip

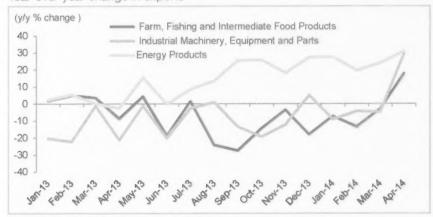
Lower prices weighed on first quarter Alberta farm receipts despite last vear's bumper crop. In the first quarter of 2014, crop receipts fell 27.8% year-over-year (v/v) to \$1.8 billion, the result of a substantial drop in prices for Alberta's major crops. Over this period, barley and canola prices each dropped about 40%, while wheat prices fell by around 20%. Despite the decline, the first quarter had the third-highest crop receipts on record. Livestock receipts, which are slightly less than half of total farm receipts, jumped 15.8% y/y to \$1.4 billion, helped by higher prices. Livestock prices remain at all-time highs, the result of low North American production of cattle. Overall farm receipts decreased 16.8% year-over-year.

Chart 3: Livestock producers outperform in the first quarter Year-over-year change in farm cash receipts



Source: Statistics Canada

Chart 4: Broad-based export growth in April Year-over-year change in exports



Please see the Alberta Economy- Indicators at a Glance for a snapshot of Alberta indicators.

### Merchandise Trade

Energy exports up big

The value of Alberta's goods exports increased 26.2% y/y in April to \$10.4 billion, lifted by 30.9% growth in energy products (Chart 4). Energy exports benefited from both higher prices and volumes. The value of farm product and machinery exports increased 17.7% y/y and 29.6% y/y respectively in April. This is good news for farmers, who have recently seen lower export prices and faced challenges getting products to market. Exports so far this year have increased 20.0% over the same period last year.

### **US Employment Situation**

Jobs recover from the recession US employment increased by 217,000 in May to a 6-year high as the US finally recovered all the jobs lost during the 2008-09 recession. The US has added more than 200,000 jobs in each month since February, the longest stretch in almost 15 years. After declining by 0.4 percentage points in April, the unemployment rate stayed constant at 6.3%.

# European Central Bank (ECB)

ECB challenges deflation threat In an effort to confront declining inflation, the ECB lowered interest rates and introduced a number of different measures aimed at providing market liquidity and increasing bank lending to the private sector. Notably, the deposit rate, the interest rate paid on bank reserves held at the ECB, was reduced to -0.1%, essentially a tax on bank reserves. Further, the ECB will offer four-year loans to banks at favourable interest rates under the condition that those banks increase loans to the private sector.

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Source: Statistics Canada

Treasury Board

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